

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7494

BILL NUMBER: SB 533

NOTE PREPARED: Jan 21, 2015

BILL AMENDED:

SUBJECT: Various Veterans Matters.

FIRST AUTHOR: Sen. Grooms

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill contains the following provisions:

Property Tax Deduction for Disabled Veterans: It provides that after December 31, 2015, the assessed value of an individual's tangible property may not be considered when determining whether the individual is eligible for the property tax deduction for: (1) totally disabled veterans; or (2) veterans who are at least 62 years of age and have a disability of at least 10%.

Motor Vehicle Excise Tax Credit: It changes the amount of the veteran's credit against the annual motor vehicle excise tax from \$70 per vehicle to 2% of the amount of the property tax deduction that the veteran would qualify for if the veteran owned tangible property.

Free and Reduced Lifetime Hunt, Fish, or Trap: It allows veterans who are residents of Indiana to obtain a lifetime hunting, fishing, and trapping license free of charge. It also allows disabled nonresident veterans to obtain Indiana lifetime hunting, fishing, and trapping licenses at the Indiana resident rate.

Property Tax Exemptions for Certain Homesteads: It provides that after December 31, 2015, the assessed value of a veteran's tangible property may be exempt from property taxes if the property: (1) is the veteran's homestead; and (2) was provided by a state recognized charitable organization.

Property Tax Exemption for Surviving Spouse: It allows, after December 31, 2015, a property tax exemption for a deceased veteran's surviving spouse under certain conditions.

Veterans Disability Clinics: It provides for an annual appropriation to the Veterans' Affairs Commission to

provide grants to qualified Indiana law schools that establish or maintain a veterans disability clinic.

Tuition Exemption: It provides for tuition and fee exemptions for all children of disabled veterans. (Current law provides that children of veterans who enlisted or otherwise initially served in the armed forces of the United States after June 30, 2011, receive tuition and fee reductions based on the percentage rating of the veteran.)

Accredited Service Officers: It provides funding to veterans service organizations with accredited service officers who assist Indiana veterans to obtain federal and state benefits earned as a result of the veterans' military service. It also provides funding to veterans disability clinics.

The bill makes an appropriation.

Effective Date: Upon passage; July 1, 2015; January 1, 2016.

Explanation of State Expenditures: *Tuition Exemption:* Under current law, if a veteran initially enlisted after June 30, 2011 and suffered a disability with a rating of less than 80%, the disabled veteran's child is entitled to a reduction in education cost of 20% plus the disability rating. Under this bill, the child would be entitled to 100% fee reduction.

According to the Commission for Higher Education (CHE), there are currently 968 children of veterans who are entitled to 100% fee reduction. Each receives an average award of \$8,650. There are also 4,681 children of veterans who are currently receiving less than 100% fee reduction. Each receives an average award of \$3,500.

The CHE has indicated that every student is currently eligible to receive 100% fee reduction. However, no child of a disabled veteran who enlisted after June 30, 2011, has applied for a fee reduction so the students currently receiving \$3,500 may have other aid that is covering a portion of their tuition. The potential cost to the state if the children of veterans currently receiving less than 100% fee reduction were to receive the same average award as those receiving 100% reduction would be approximately \$24 M.

Accredited Service Officers: The bill requires the Indiana Department of Veterans' Affairs (IDVA) to distribute the appropriations for expenses incurred by accredited service officers. It is estimated that this provision can be implemented within the IDVA's existing level of resources.

Explanation of State Revenues: *Motor Vehicle Excise Tax Credit:* State-captured excise tax revenue could be reduced by about \$750,000 per year beginning in CY 2016. Motor vehicle excise taxes that are captured by the state are deposited into the state General Fund.

Veterans Disability Clinics: The bill provides an annual appropriation from the state General Fund to the Veterans Disability Clinic Fund for the Veterans' Affairs Commission to provide grants to qualified law schools that establish or maintain a veterans disability clinic. The amount of the appropriation will depend on legislative and administrative actions as well as the number of qualified clinics. [A veterans disability clinic is a law school clinical program that provides legal services at no cost or nominal cost to veterans.]

Accredited Service Officers: The bill appropriates annually from the state General Fund sufficient funds to pay expenses incurred by accredited service officers in assisting veterans and dependents of veterans to obtain federal and state benefits. The amount appropriated from the General Fund will ultimately depend on

legislative and administrative actions. However, the maximum amount distributed is limited to 1% of the preceding five year average of entitlements obtained for veterans. There are currently no data available indicating the total amount of state and federal benefits paid to veterans annually.

Free and Reduced Lifetime Hunt, Fish, or Trap: The bill would allow the Department of Natural Resources (DNR) to establish a lifetime hunt, fish, or trap license free of charge for resident veterans. It would further allow nonresident disabled veterans to purchase a lifetime hunt, fish, or trap license at the Indiana resident rate. In the past, the DNR has reported that the issuance of lifetime licenses has resulted in a loss of revenue over time for the agency. As a result, the DNR most likely would not implement the provision.

Explanation of Local Expenditures:

Explanation of Local Revenues: *Property Tax Deduction for Disabled Veterans:* Beginning with taxes payable in 2016, this bill could result in an estimated additional 9,000 deductions for totally disabled veterans. The total amount of the deduction could increase by about \$102 M AV. The additional deduction amount would annually shift about \$2.4 M in property taxes statewide from disabled veterans to all other taxpayers. A small increase in the amount of circuit breaker losses is also possible in certain areas.

Motor Vehicle Excise Tax Credit: Under this provision, local government units and school corporations could lose about \$1.5 M per year in excise tax revenues, beginning in CY 2016.

It is estimated that the total cost of excise tax credits for disabled veterans would increase by up to \$2.2 M per year under this provision. Excise tax credits reduce excise tax collections. About two-thirds of the excise tax revenue is distributed to local government units and school corporations while one-third is captured by the state.

The current allowable credit is a maximum of \$70 each for up to two vehicles. The bill would increase the maximum credit per claimant from \$140 to: (1) \$499.20 for a veteran with wartime service and a service-connected disability (or surviving spouse); (2) \$249.60 for a veteran with a nonservice-connected 100% disability (or surviving spouse); or (3) \$374.40 for a WWI veteran's surviving spouse.

Property Tax Exemptions for Certain Homesteads: The number of homes that have been provided to disabled veterans by nonprofit organizations is unknown but is thought to be minimal. Some disabled veterans may already receive substantial property tax deductions on these homes. The exemption will eliminate the remaining net assessed value of the homes, causing a small shift of property taxes from the exempted homes to all other property beginning with taxes payable in 2016.

Property Tax Exemption for Surviving Spouse: This provision could potentially shift about \$6.5 M in property tax from certain surviving spouses to all other taxpayers.

Under this provision, the homestead of a surviving spouse of an individual who (a) was killed in action or (b) died from wounds received in action, or a surviving spouse who receives dependency indemnity compensation (DIC) will be exempt from property tax.

DIC payments are made to survivors of service members who died in the line of duty or from a service-related injury or disease. It is assumed that most, if not all, spouses of those killed in action and those who died from wounds received in action are receiving DIC benefits. The U.S. Veteran's Administration reports that almost 365,000 surviving spouses receive DIC payments, nationwide. Assuming that the

percentage of DIC recipients living in Indiana is the same as Indiana's veteran population (2.2%), there are an estimated 8,000 Indiana DIC recipients.

The home ownership rate in Indiana is 68.5%. If it is the same for DIC recipients, then about 5,500 DIC recipients are homeowners. At an average homestead net tax of \$1,186, the total amount of taxes paid on the homes of DIC recipients is \$6.5 M.

State Agencies Affected: IDVA, Veterans' Affairs Commission, DNR.; Commission for Higher Education

Local Agencies Affected: County auditors; Civil taxing units and school corporations.

Information Sources: Bureau of Motor Vehicles; U.S. Department of Veteran's Affairs; LSA parcel-level property tax database.; Amanda Stanley, Director of Program Relationships, Indiana Commission for Higher Education, 371-234-8232.

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